

UNDERSTANDING THE EUROPEAN ECONOMY *Economics and Politics*

Course contact hours: 45

Recommended credits: 6 ECTS – 3 US

OBJECTIVES

European integration is a process whose origins stretch as far back as to the establishment of the European Coal and Steel Community in 1950 and of the European Economic Community in 1957. If the founding fathers of those institutions were still alive today, they would probably balk at the degree of integration that has taken place over sixty years of alternate fortunes: deep crisis and highly ambitious and successful attempts at building ‘an ever closer union’, the inspirational goal enshrined in the Treaty of Rome. The European Union (EU) today is an institutional hybrid showing many features of a federation alongside policy areas where the ‘pooling’ of national sovereignty has still not taken place or it has, but only to a very limited degree. The course aims to offer students a comprehensive overview of the ongoing process of integration mainly through an economic analytical framework complemented by other necessary and enlightening perspectives.

Following an introduction to the integration process’ historical legal and political development, an overview of the institutional framework of the EU today will emphasize the choices and the principles underpinning the distribution of competences among different levels of governments as well as the peculiarities of the decision-making process. The course will subsequently delve into the analysis of the Union’s economic policies, which are divided into three main categories. First, the microeconomics of European integration will be explored, highlighting the effects of preferential trade liberalization and the construction of the Single European Market on the allocation and efficiency of productive factors, including an analysis of the labor market. The course will then turn to the size and the composition of the budget and how it is spent (i.e. expenditure policies, in particular the common agricultural policy); the policies that are aimed at correcting market failures (cohesion, regional and environmental policies) and, finally the external trade policy. The last part of the course will be concerned with the analysis of macroeconomics and monetary integration. It will first focus on the set of macroeconomic tools needed to understand why European countries have been struggling to maintain a degree of order and coordination in their domestic fiscal and monetary policies and how these efforts have finally resulted in the most ambitious monetary union ever attempted. It will proceed to analyze the monetary union’s institutional functioning and the set of constraints it poses on national fiscal policies. The course will end with a compelling overview of the financial and sovereign debt crisis that has gripped the EU over the last three years.

REQUIREMENTS

- Fluent in English
- Interest in the European Union and Economics

CONTENTS

- Europe, the Europeans and the EU. The concept of Europe. Who are the Europeans?
- History of European Integration. From WWII to the Single European Act
- The Institutional Framework: Institutions of the EU. The European Commission; The European Council and the Council of the European Union; The European Parliament
- Allocation of competences and the decision-making system. Theories of Fiscal Federalism. The Pillar system. Community Method. Intergovernmentalism. The 'Ordinary Legislative Procedure'
- Economic Governance and Varieties of Capitalism. Different ways of organizing and coordinating markets and fostering national competitiveness. The role of the state, business and labour.
- Regulation of the Single Market. Theories of Regulation. Deregulation: Market Integration and Liberalization.
- Regulation of the Single Market (2). Re-regulation: Common standards. Explaining EU regulatory policies.
- Market Size and Scale Effects. Growth Effects and Factor Market Integration. Liberalization, defragmentation and industrial restructuring. The BE-COMP diagram in a closed economy.
- The impact of European liberalization. Allocation and accumulation effects. Are growth and EU integration related? Empirical evidence.
- Economic Integration, Labour Markets and Migration. European labour markets: a brief characterization. Labour markets: the principles. Effects of trade integration. Migration.
- Migration in Europe

- The Politics and Economics of Brexit
- The Macroeconomics of Monetary Integration. Interest Rate Parity. Purchasing Power Parity. The Impossible Trinity. In practice: Exchange Rate Regimes.
- Historical path to European Monetary Integration. Before the paper money. Bretton Woods as an antidote to the inter-war debacle. After Bretton Woods: Europe's snake in the tunnel.
- The European Monetary System. The Maastricht Treaty and the EMU.
- Optimum Currency Areas: theoretical background and empirical evidence for the EU. Benefits of forming a CU. Shocks and the exchange rate. Asymmetric shocks. OCA criteria. Testing the criteria on Europe. Will Europe become an OCA?
- The European Monetary Union: From the beginning up to the sovereign debt crisis. The five entry conditions. Central banking: the Eurosystem. ECB: Objectives, instruments and strategy.
- ECB: Independence and Accountability.
- Energy Policy. Regulation and National Sovereignty over the Energy Mix.
- Climate Change Policy. Domestic & International Politics.
- The Spanish Economy.

ASSESSMENT CRITERIA

Your final grade will be equal to the weighted arithmetic mean of five different assessments. The instructor will explain in detail the content, criteria and specific requirements for all assessment categories but the basic breakdown is as follows below.

Mid-term exam	15% + 15 %
Papers	20%
Class Participation	15%
Final Exam	15% +20 %

BIBLIOGRAPHY

- Baldwin, R. and Wyplosz, C. (2015). The Economics of European Integration, 5th edition, McGraw-Hill. (Main text.)
- Cini, M. and Pérez Solózano Borroján (2014). European Union Politics, 4th edition, Oxford University Press
- McCormick, J. (2008). The European Union. Politics and Policies, 4th edition. Westview Press. (Chapters 2 and 16, relating the EU-US relations in the past and present)
- Tiersky, R. and Erik Jones (eds.) (2015) . Europe Today: A Twenty-First Century Introduction, fifth edition. Rowman & Littlefield
- Eichengreen, B. (2007), The European Economy since 1945: Coordinated Capitalism and Beyond, Princeton University Press.
- Pinder, J.; Usherwood, S. (2007), The European Union: A very short Introduction, Oxford University Press
- Hix, S. and Hoyland, B. (2011), The Political System of the European Union, Palgrave-Macmillan
- Wallace, H.; Pollack, M.A. and Young, A.R., eds. (2015). Policy-making in the European Union, 7th edition, Oxford: Oxford University Press

ON-LINE RESOURCES AND THINK-TANKS

Bruegel: <http://www.bruegel.org>

Project Syndicate (Europe): <http://www.project-syndicate.org/europe>

Notre Europe: <http://www.notre-europe.eu/en/>

EU Observer: <http://euobserver.com>

EurActiv: <http://www.euractiv.com/en>

VoxEU: <http://www.voxeu.org>

Centre for European Policy Studies (CEPS): <http://www.ceps.eu>

Centre for European Reform (CER): <http://www.cer.org.uk>

European Institute (Info about EU-US cooperation)

The Robert Schuman Centre for Advanced Studies

Policy Network (London)

ACADEMIC JOURNALS

Journal of European Public Policy (JEPP)

Journal of Common Market Studies (JCMS)

European Union Politics (EUP)